

VZCZCXRO5002  
RR RUEHAST RUEHDBU  
DE RUEHTA #2332/01 1801559  
ZNR UUUUU ZZH  
R 291559Z JUN 06  
FM AMEMBASSY ALMATY  
TO RUEHC/SECSTATE WASHDC 5988  
INFO RUEHEK/AMEMBASSY BISHKEK 7638  
RUEHNT/AMEMBASSY TASHKENT 7605  
RUEHAH/AMEMBASSY ASHGABAT 7012  
RUEHDBU/AMEMBASSY DUSHANBE 1798  
RUEHMO/AMEMBASSY MOSCOW 1275  
RUEHAST/USOFFICE ASTANA

UNCLAS SECTION 01 OF 03 ALMATY 002332

SIPDIS

DEPT FOR SCA/CEN (MUDGE), OES/PCI (SALZBERG), OES/PCI  
(SPERLING)

DEPT PLS PASS EPA (B. FREEMAN)

SIPDIS

E.O. 12958: N/A

TAGS: [SENV](#) [PGOV](#) [KZ](#)

SUBJECT: KAZAKHSTAN: SAFE DRINKING WATER FOR RURAL  
SETTLEMENTS

11. Summary: On June 5, the U.S. Environmental Protection Agency (EPA) convened a high-level meeting in Astana to discuss the issue of safe drinking water for rural settlements in Kazakhstan. EPA, together with the Akimat of Almaty Oblast, has been carrying out a village drinking water project in Almaty Oblast since 2003. The purpose of the meeting was to present the results of the project so far and to make recommendations to Kazakhstan's national and regional water authorities as to the most effective approaches to ensuring the financial and technical sustainability of rural drinking water systems.

12. This cable summarizes the meeting and events that have taken place since the meeting, with a view toward gauging the prospects for the EPA project. The meeting itself went very well, with excellent participation and favorable responses from the Kazakhstani side. Initial indications are that the Government of Kazakhstan (GOK), including the Water Resources Committee (WRC) and the Prime Minister's office, are taking the EPA recommendations seriously, to the extent of making public announcements and taking concrete steps to make changes in its national drinking water program. It is equally clear that more work must go into this initiative and that any one of several factors can intervene to stall the project. Given the importance of drinking water in Kazakhstan, Post will monitor this project closely. End summary.

13. There are some 7,000 villages in Kazakhstan, which constitute almost a half of Kazakhstan's population. The majority of these villages do not have safe, reliable supply of drinking water, with adverse consequences for public health and rural economic development. The GOK has created a 2002-2012 National Drinking Water Program to address this problem, with total funding of 115 billion tenge (\$958 million), possibly to be raised to 300-310 billion tenge (\$2.5 - \$2.6 billion). The GOK has also taken a \$34.6 million loan from the Asian Development Bank (ADB) for rural water supply in three oblasts in Kazakhstan.

14. Ambassador John Ordway chaired the meeting, with assistance from Almaz Sharman, USAID. Participants were from key institutions active on the issue of rural drinking water in Kazakhstan. They included Anatoliy Ryabtsev, Chairman, Water Resources Committee (WRC), Ministry of Agriculture; Anar Shaikenov and Aliya Ibaldina, ADB; Alzhan Brailov, Deputy Minister of

Environmental Protection; and Askar Tutubayev, Deputy Head, Construction Department, Almaty Oblast government. The EPA project was represented by Bill Freeman, EPA; Michael Curley and Diyas Jubandykov, both of the International Center for Environmental Finance/Global Environment and Technology Foundation; Bulat Yessekin, Executive Director, Central Asian Regional Environment Center (CAREC); and Aidos Smailov, Eurasia Foundation. The government of Norway, which is contributing \$287,000 to the project, was unable to send a representative to the meeting.

15. Noting that Kazakhstan's intention to join the list of the world's 50 leading countries was unthinkable without the provision of clean water to its citizens, Ambassador Ordway turned the discussion to the results of the project so far, as follows:

-the project is providing safe drinking water to 8,900 residents of six villages in Almaty Oblast. The capital costs of rehabilitating village water systems have been reasonable, on the order of \$50,000 per village. Village residents have paid a share of costs on time and in full, including 10% of the capital costs up front and 100-150 tenge (\$.83 - \$1.25) per household per month for operations and maintenance. The elected, self-governing village water committees set up by the project have managed these systems fairly and responsibly, with no major breakdowns or problems so far. Six more villages are planned for 2006-07, including Bayandai, a Uighur village where construction begins in July.

-the project emphasizes long-term financial and technical sustainability. Financial sustainability is secured by a

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financial association, formed by representatives of each village who manage a reserve fund for spare parts and major repairs. Technical sustainability is secured by a "circuit rider," who deals with problems beyond the technical capabilities of the villagers themselves. This approach is designed to avoid the problem, often encountered in rural water projects of this kind, that when water systems break down, as they inevitably do, there is no money to fix them and no person with the knowledge to fix them.

-the project has been able to overcome almost all obstacles so far. The GOK natural monopolies agency has ruled that the village water committees can set tariffs themselves. The oblast tax committee has held that the water drawn for drinking water purposes is exempt from the natural resources tax and has advised that the proper legal form for financial operations is that of a non-governmental organization, not a financial cooperative as initially thought. Most important, the project has managed to overcome social inertia in the villages. Initially, it met with extreme skepticism and apprehension, due to money the villagers had lost to phony schemes that promised phones, electricity, and the like but never delivered. Now, the initial skepticism has been allayed, and there is a queue of villages wanting to sign up for the project.

16. Reactions among Kazakhstani participants at the meeting, notably the WRC and ADB, were uniformly positive. Ryabtsev said the WRC would consider incorporating the project into the national drinking water program, with modifications suited to local conditions. All present agreed that the approach was best suited to small villages, with populations less than 1,500-2,000. Some expressed surprise at the low per capita cost, and suggested that other villages in less favorable circumstances might cost more. Tutubayev noted that the Almaty Oblast government had begun on its own to form self-governing water committees, or community-based "panels," in the oblast drinking water program. Most importantly,

all recognized the importance of residents' direct participation in and support for the program for ensuring the success of the project. (One participant quipped that President Nazarbayev and chairs of the village water committees are the only directly elected executive-branch officials in Kazakhstan.)

¶7. On the evening of June 5, in an interview on national television, Ryabtsev announced his intention to introduce the EPA project nationwide. Asked whether Kazakhstan really did not itself have the money to supply clean drinking water, Ryabtsev replied that the point is not the money, but the methodology. The EPA project has shown, he said, that public involvement - up-front financial contributions, creation of a reserve fund, and participation in financial associations - is essential to the sustainability of rural water systems. "This is a very important argument," he said, "now we want to make it standard for the entire drinking water program" in Kazakhstan. This public announcement was a significant step over forward.

¶8. On June 6, Ryabtsev met with several meeting participants in his office at the WRC. Confirming his statements made the previous day, Ryabtsev requested a step-by-step "manual" for villages to follow in implementing the new approach - from the first village general assembly through the election of water committee, to tariff collection. Second, he suggested a meeting, to be held in Almaty Oblast in mid-September, for all the deputy oblast akims to look first hand at the project's results and to discuss the incorporation of the project's methodology into national water policy. Third, he proposed a revision of the current draft of the national drinking water program, with corresponding changes in the GOK budget for the program. If accomplished, this revision would amount to official confirmation of the change in national drinking water policy.

¶9. On June 20, Mukhambetkasim Shakenov, the chief state

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inspector in the Prime Minister's office in Astana, paid a visit to the project villages of Oktiabr and Algasbas. Apparently, Shakenov had seen the Ryabtsev TV interview, called Ryabtsev, and informed him that he wished to include the EPA project in his inspection tour of Almaty Oblast. During his visit to the two villages, he spoke with residents, checked the water supply system, studied the accounts, records, and other documentation - and, we are told, came away satisfied. As of June 26, as developed in further conversations between Shakenov and Ryabtsev, the plan is for the Prime Minister's office to send a letter instructing Ryabtsev to officially examine the EPA project and then, if the conclusion is positive, to begin incorporation of the project's methodology into the national drinking water program. Shakenov's visit seemingly gained for the project another powerful ally within the government.

¶10. Initial activities subsequent to these discussions are under way. The first is the "how to" manual, to be completed by the end of June. The second is presentation of the manual to GOK and regional officials (despite some difference on how to proceed: Ryabtsev wants a conference for deputy oblast akims in Taldy-Korgan in September, whereas Shakenov prefers to get an advisory resolution from the Prime Minister's office before convoking of the deputy akims). The third is the initiation of training for the next 70 villages to receive ADB loans, which would probably require a "train-the-trainer" program under CAREC. All these steps are expected to go forward largely on the initiative of the Kazakhstani side.

¶11. Several key roles remain to be played by EPA, however. On the finance side, it will be necessary for EPA to

provide financial analysis and support for the formation of rural financial associations, with regard to such considerations as capital-to-needs ratios, funds management, and utility operations. The U.S. has a wealth of experience with rural financial cooperatives to draw from. On the technical side, it will be necessary to help start the circuit rider program. Here again, the U.S. experience will be useful, especially that of the National Rural Water Users Association, funded jointly by EPA and USDA. In the long run, the evolution will be the formation of rural financial associations, amalgamation into oblast-level associations, and the establishment of rural revolving funds, or water banks, across the country as a whole.

¶12. Comment: It was clearly recognized at the meeting that constructing or rehabilitating village water systems is not technically complex and that the real problem arises over time as systems break down and repairs and spare parts are needed. If sustainability issues are not addressed now, participants at the meeting noted, another such meeting would have to be held ten years from now. It was also recognized that self-governance and social mobilization are the crucial parts of the EPA project, which distinguish it from current Kazakhstani and ADB water policy. The project design puts real economic assets and decision-making authority in the hands of the elected village water committees, which creates a sense of ownership and responsibility. Management of the reserve fund and other funds in an open and transparent manner builds experience with modern financial systems and operations. The village water committees create a platform for further social action for education, health, and other local social and economic matters. That is, the EPA project is not just about public health; it can have broad political, economic, and social ramifications.

¶13. Comment, continued: Of special note is the high benefit-cost ratio for the EPA project. If the project succeeds, a relatively small investment of USG assistance money will have leveraged as much as several hundred million dollars in environmentally friendly spending over the next five to ten years. We believe this project will show one of the highest returns on investment in the USG assistance portfolio. End comment.

ORDWAY